

**GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA**

UNSTARRED QUESTION NO:5732
ANSWERED ON:30.08.2001
LOSS SUFFERED BY KONKAN RAILWAYS
CHANDRA BHUSHAN SINGH

Will the Minister of RAILWAYS be pleased to state:

(a) whether the Konkan Railway Corporation Limited has suffered a loss of Rs. 21.77 crore by entering into a sale and lease track agreement which was in essence contrary to the spirit of the agreement forming it; and

(a) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF RAILWAYS AND PARLIAMENTARY AFFAIRS (SHRI O. RAJAGOPAL)

(a) & (b): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) & (b) OF UNSTARRED QUESTION NO. 5732 TO BE ANSWERED IN LOK SABHA ON 30.08.2001 BY SHRI CHANDRA BHUSHAN SINGH REGARDING LOSS SUFFERED BY KONKAN RAILWAYS

(a)&(b): Sale and lease back is a standard and universally accepted procedure of releasing funds against existing assets of an organisation. The Corporation has used the same procedure for raising funds, worth Rs.98 crores, that were utilised for construction of further assets. The Corporation would be paying back Rs.136.66 crores over a period of 7 years i.e. Rs.14.7 crores in 1st year, Rs. 18.82 crores in 2nd to 5th year and Rs. 23.34 crores in 6th and 7th year. The ownership of the track will revert to the Corporation on completion of the lease period. However, the transaction is based on market value of the asset, which has led to recording of loss in the books of accounts.

The Corporation has taken the valuation of the track based on the current cost and prices prevailing at the time of sale. The valuation of the assets was not on the basis of historical cost. Due to this, the published accounts of the Corporation show a loss of Rs. 3.77 crores in 1995-96 and Rs. 11.38 crores in 1997-98 and Rs. 0.47 crores in 2000-01; totaling Rs. 15.62 crores.

Clause 30 of Memorandum of Association provides for sale of whole or part of the Corporation's properties for consideration and take back the same on leasing terms and thus, such leasing by Corporation did not violate the spirit of agreement forming it.